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United States General Accounting Office

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Report to the Chairman, Subcommittee on Western Hemisphere Affairs, Committee on Foreign Affairs, House of Representatives

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January 1986

MILITARY SALES

The United States Continuing Munition Supply Relationship With Guatemala

COD/Apr

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United States
General Accounting Office
Washington, D.C. 20548

National Security and International
Affairs Division

B-221409

January 30, 1986

The Honorable Michael D. Barnes
Chairman, Subcommittee on Western
Hemisphere Affairs
Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

In response to your request, we reviewed the extent and the legality of the U.S. government's continuing military supply relationship with Guatemala through commercial sales or the security assistance program. We are providing detailed listings of export license applications for commercial sales processed by the Departments of State and Commerce as well as an analysis of the use of the security assistance program during fiscal years 1979 through 1985.

The security assistance termination provisions under section 502B of the Foreign Assistance Act of 1961, as amended, are not applicable to Guatemala since the State Department has never identified Guatemala as having demonstrated a "consistent pattern of gross violations of internationally recognized human rights." Thus, sanctions contained in section 502B have never been applied, and there was no legal requirement for the U.S. government to cut off U.S. arms sales to Guatemala. Nonetheless, direct U.S. military assistance was discontinued between fiscal years 1978 and 1984, and commercial sales dropped significantly in the late 1970's and early 1980's because of cited human rights violations.

Background

The state of human rights in Guatemala has been a key factor in the arms transfer policy of the Carter and Reagan administrations. According to various U.S. government documents, from 1978 to 1982, under the Lucas Garcia presidency, combat deaths and human rights abuses increased. Government forces used violence to maintain order, and the insurgents used it to provoke government and right wing reactions. Rural villagers were often caught in the middle—victims of both government forces' and insurgents' violence to keep them from helping the opposition. By the end of the Lucas Garcia presidency, foreign credit and investment had dropped, the tourist industry had declined, and the Treasury had been drained.

After a March 1982 coup led by a group of junior officers, retired General Rios Montt was installed as head of a three-man council. In June 1982, Rios Montt dissolved the junta and declared himself president. An August 1982 State Department statement said that beginning with the March 1982 coup, political violence had been reduced. According to the U.S. embassy in Guatemala, this observation was confirmed through discussion with Guatemalans, who said the situation had improved substantially after Rios Montt took office. The Guatemalan government initiated a program to provide food, seed, shelter, and medical supplies to villagers in rural areas who had been affected by the violence, and established local civil defense forces (the so-called "beans and bullets" program). At the same time, the army increased its counterinsurgency efforts against the guerrillas.

President Rios Montt was replaced by his Minister of Defense, General Mejia Victores in August 1983. According to the State Department, deaths and disappearances increased right after this coup but decreased again in late 1983. The UN Human Rights Commission Special Rapporteur reported in November 1983 that although basic human rights had been violated, the government had taken steps to curb abuses and there was "marked improvement" in 1983.

On the downside, human rights proponents say not enough has been done to investigate past crimes or to account for those who have disappeared. One case was the death of a contract employee from the Agency for International Development and three companions while in government custody. According to the Guatemalan government, they were shot while trying to escape. A State Department 1983 human rights report stated that "...the explanations offered by the Government have been contradictory and not fully consistent with other aspects of the known record." Furthermore, international human rights organizations such as Amnesty International take the position that military assistance should not be resumed because in their view there has been no real improvement in human rights conditions in Guatemala.

Against this background, a newly elected civilian government will be inaugurated in January 1986—an event which the Department of State believes will result in a significant reduction in human rights violations.

U.S. Government Policy Towards Guatemala

Since 1973, Congress has enacted numerous legislative provisions intended to ensure that U.S. foreign policy and provisions for security and economic assistance include consideration of the status of human rights in recipient countries. In 1974, Congress added section 502B to the Foreign Assistance Act of 1961, as amended, which was changed and strengthened in 1976 and 1978, to state:

"Except under circumstances specified in this section, no security assistance may be provided to any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights."

Security assistance, which may not be provided unless the President certifies in writing that circumstances warrant such provision, is defined as:

- military assistance, economic support fund, military education and training, and peacekeeping operations;
- sales of defense articles or services, extensions of credit, and guarantees of loans under the Arms Export Control Act; and
- any license to export defense articles or defense services to or for the armed forces, police, intelligence, or other internal security forces of a foreign country.

In its first report (1977) on human rights practices in countries proposed as recipients of security assistance (a reporting requirement of section 502B), the State Department cited Guatemala for human rights violations. Guatemala (in March 1977) and four other Latin American countries (Argentina, Brazil, El Salvador, and Uruguay) rejected U.S. military assistance because it was linked to the human rights issue. The Guatemalan government accused the United States of interfering in its internal affairs.

Subsequently, in fiscal year 1978, appropriations legislation prohibited foreign military sales (FMS) credits for Guatemala and the Congress did not appropriate additional funds for Guatemala. These actions did not prevent government arms deliveries previously under contract or commercial export of munitions and dual-use (civilian and military) items under State and Commerce licenses.

According to several State Department officials and documents, neither the Carter nor Reagan administrations wished to publicly label any

country as a consistent and gross violator of human rights because it would be too difficult to clear a country of such a label once given.

Reagan administration officials and documents stated that their arms transfer policy as it concerns human rights conditions is geared toward rewarding improvement rather than trying to coerce improvement by withholding military assistance, which was the Carter administration's approach. The Reagan administration position is that diplomacy and negotiation are more effective than public threat or censure. To reinforce the improvement in the human rights situation following the 1982 coup, on January 7, 1983, the administration approved an FMS cash sale of over $6 million in spare parts, primarily for helicopters and other aircraft. The Guatemalan government did not have sufficient funds for this purchase, but in August 1983, the new government asked to make a reduced purchase of some of the items for just over $2 million. In January 1984, the Reagan administration approved this request.

State Department officials maintain that any significant increases in military sales or assistance will be linked to additional improvements in human rights. In that regard, the State Department has told some exporters to resubmit denied and returned-without-action applications. The Department has indicated that the inauguration of a new civilian government, accompanied by an improvement in human rights conditions, may well allow it to start approving these items again.

Commercial Sales

The primary means Guatemala used during the period 1978 through 1982 to obtain military and dual-use equipment and technology from the United States was commercial sales made by U.S. companies to the Guatemalan government and private businesses. Some importers have in turn sold these items, including arms, to Guatemalan military personnel.

Export sales of this nature are licensed by the Department of Commerce, under the Export Administration Act of 1979, as amended (50 U.S.C. app. 2401, et. seq.), and by the State Department, under the Arms Export Control Act, as amended (22 U.S.C. 2751, et. seq.).

State Department Licenses

State controls export sales of arms, ammunition, and implements of war by requiring licenses for export of these items. State's Office of Munitions Control reviews each license application on a case-by-case basis to determine whether the proposed export is consistent with applicable

statutes, regulations and procedures, and U.S. security and foreign policy.

In the case of Guatemala, all license applications are sent to the Bureaus of Human Rights and Humanitarian Affairs, Inter-American Affairs, and Politico-Military Affairs within State. In addition, those requiring review for technical or national security purposes are sent to the Department of Defense.

The Director of the Office of Munitions Control said his office will not issue a license if the Inter-American Affairs Bureau recommends a particular application be rejected. If the Human Rights Bureau disapproves, but the Inter-American Affairs Bureau approves a particular application, Munitions Control will ask the bureaus to reach an agreement before any action is taken.

Approvals of munitions items licensed by the State Department peaked in fiscal year 1979 at over $860,000 (guns and ammunition accounted for 62 percent); approvals dropped to their lowest level in 1982—about $32,000. The level has since risen, reaching $374,000 for the first 5 months of 1985. See appendices II, III, and IV for listings of licenses approved, disapproved, and returned without action, respectively, by the State Department.

These listings do not include all license applications State received for exports to Guatemala. A munitions control officer told us that the Department may have "lost" some information at the end of fiscal year 1981, when the computerized system was changed. Also, the Department said it was unable to locate 41 of 300 applications we requested which were listed in its computer information system.

Furthermore, State's information system, as programmed, could not identify certain potential exports to Guatemala if the license applications listed destinations in addition to Guatemala. According to a munitions control officer, when more than one destination is shown on an application, the computer identifies the potential recipient as "various destinations." In commenting on our draft report, the Department emphasized that use of "various destinations" is only permitted for technical data or temporary export applications within the same geographical area.

Department of Commerce Licenses

The Department of Commerce licenses all commodities for commercial export not controlled by the State Department except for certain nuclear items. The products they license have commercial as well as military applications (so called dual-use items). Export controls administered by Commerce are used to protect the national security of the United States, to further the foreign policy and protect the domestic economy from the excessive drain of scarce materials, and to reduce the inflationary impact of foreign demand.

All items for export controlled by Commerce are contained in the Commodity Control List, which is prepared by Commerce in consultation with the Departments of Defense and State and other departments and agencies as appropriate. It is a composite of items identified unilaterally by the U.S. government and items identified for export control by the Coordinating Committee (COCOM) for mutual security reasons. COCOM is an informal organization consisting of the NATO countries (excluding Iceland and Spain) plus Japan. This committee controls exports to Communist countries.

Some licenses are referred to the State Department for review. Items on Commerce's "crime control and detection equipment and instruments" list must be given a human rights review by State before they can be approved. Other items are reviewed by State under its regional stability classification program to determine if they will affect the balance of power in that region. This program applies to all countries except North Atlantic Treaty Organization members, Japan, Australia, and New Zealand. A Department of State official said State does not generally recommend disapproval on regional stability grounds unless the country gets involved in an external conflict that the State Department thinks they should avoid.

The Commerce Department approved 34 applications for exports to the Guatemalan military during the period January 1978 to February 1985 totaling $55 million. Another 37 applications, totaling $61 million were granted for nonmilitary government agencies during that period. Major items licensed for the military included trainer and cargo aircraft. However, these licenses expired before the aircraft ($40 million for two jet transports and eight T-37 trainer aircraft) were sold or exported to Guatemala. (See app. V and VI for Commerce licenses approved for dual-use equipment for military and other-than-military, respectively, and app. VII for a list of potentially lethal items licensed for various end users during fiscal years 1979 through 1985 as of February 28, 1985.)

Illegal Transfer of U.S. M-41 Tanks to Guatemala by a Belgian Company

During our review, we identified the "illegal" transfer (as described by a State Department telegram) of 10 U.S. M-41 tanks to Guatemala by the Belgian company ASCO in 1982. The 10 tanks were part of a U.S. government authorized shipment of 22 tanks from Belgium to the Dominican Republic. However, only 12 tanks were unloaded there; the remainder were shipped to Guatemala.

There is conflicting information regarding the source of the tanks, i.e., whether the 10 tanks were "U.S.-made" or Belgian-manufactured using U.S. technology. The tanks were reportedly in poor shape and had to be restored. They cost the Guatemalans $34 million (plus restoration)—a price far in excess of standard market value. This grey-market M-41 tank deal was probably arranged between employees of the export firm ASCO, the ship's captain, and certain high level Dominican and Guatemalan military officers.

According to the State Department, it has no record of a request by the Belgian government to transfer any M-41 tanks to Guatemala. The Department started an investigation and requested the Belgian and Dominican Republic governments to do the same.

Under the Arms Export Control Act, the executive branch is required to provide a report to the Congress on what transpired. A report was issued in 1981 when Belgium made an earlier unauthorized tank transfer to Uruguay. Evidence indicates that although the need to submit a similar report on the Guatemala transfer was discussed within State, the report was delayed until all investigations could be completed. Apparently, either the investigations were not completed, were not reported to the State Department, or the Department decided not to prepare the report to Congress. In any event, we found no evidence of any report ever being submitted to the Congress.

Security Assistance and FMS Cash Sales

No FMS credit or Military Assistance Program financing had been approved for Guatemala from fiscal year 1976 through 1985. The administration requested $10 million in FMS credits for fiscal years 1984, 1985, and 1986. The first two requests were rejected by the Congress. The third has been appropriated, but the appropriation restricts the types of assistance and makes it subject to the election of a civilian government and demonstrated progress in human rights conditions. International Military Education and Training funding was approved in 1977, but not again until 1985 ($300,000). Requests for similar amounts were also made for fiscal years 1983 ($250,000) and 1984 ($250,000);

$300,000 has also been appropriated for 1986. For the first time since 1975, economic support funds of $10 million were provided for Guatemala in fiscal year 1983. An additional $12.5 million was approved for 1985 and $25 million was approved for 1986.

FMS cash sales dropped off during fiscal years 1978 through 1983. In 1977, sales agreements totaled $5.7 million but fell to $3.2 million in 1978 and to $2.0 million in 1979. They dropped drastically from 1980 through 1982 when only small amounts of training were sold to the Guatemalans. Agreements climbed to $3.4 million in 1984. Appendixes VIII and IX provide information on U.S. assistance to Guatemala, and appendix X itemizes all FMS agreements for fiscal years 1977 through 1985 (as of February 28, 1985).

Conclusions and Recommendations

The Department of State has never labeled Guatemala as a gross human rights violator, thus the U.S. government has not been under any legal requirement to cut off U.S. arms transfers to that country. Nonetheless, direct U.S. military assistance (FMS credits, Military Assistance Program, and International Military Education and Training funding) was discontinued between fiscal years 1978 and 1984, and commercial sales dropped significantly in the late 1970's and early 1980's because of cited human rights violations. In the last 2 years, both sales and assistance have increased slowly. Further increases will continue to be affected by concerns about human rights conditions in Guatemala. The transfer of power to an elected civilian government in January 1986 could be viewed as a positive sign of the country's commitment to improving human rights, and could prompt additional military sales and assistance.

Two areas require attention: (1) Limitations in the Department's information and record-keeping systems resulted in the Department being unable to identify and locate all license applications for exports to Guatemala, and (2) the executive branch has not submitted the required report to the Congress on the unauthorized transfer of tanks by Belgium to Guatemala which occurred in 1982.

We therefore recommend the Secretary of State

- take steps to ensure that the Department's information retrieval capabilities are such that all intended destinations can be easily identified, and
- take the steps necessary to issue the report to the Congress as required under section 3 of the Arms Export Control Act.

Agency Comments

The Departments of State, Defense, and Commerce provided us with official comments on the draft of this report.

The Department of State commented that this report provides an accurate full account of State, Commerce, and Defense Department treatment of requests received from exporters seeking to sell equipment to Guatemala. Regarding difficulties in locating older license applications, the Department stated that its current computer retrieval system should preclude such problems in the future. In response to our specific recommendation concerning its information retrieval capabilities, the Department said that budgetary constraints have been the only reason why its computer has not been programmed to list separate destinations for temporary and technical data license applications. The Department told us that the need to program its computer information system to list separate destinations for such applications would be considered in allocating future funds.

Regarding the M-41 tank incident, State responded that its files indicate that 22 M-41 tanks were supposedly exported to the Dominican Republic in early 1982, and that about half of them may have been diverted to Guatemala without the knowledge of the Belgian government.

The Department stated that it regrets that a report under section 3(e) of the Arms Export Control Act was not filed at the time, and added that a report will be submitted to the Congress. State concluded that, after its inquiry into the matter in 1982, Belgian authorities took effective measures to prevent the recurrence of such incidents since no reports have been received since 1982 of the improper transfer of tanks from Belgium.

The Department of Commerce asked that various clarifications concerning its licensing process be made to the report and those have been incorporated. The Department of Defense generally concurred with the report's findings and recommendations. Comments received from all three agencies are included in their entirety as appendixes XI through XIII.

Objectives, Scope, and Methodology

We did most of our work at the Department of State—where we discussed U.S. policy towards Guatemala; reviewed documents on human rights, arms transfers, and related topics; and analyzed license applications received by the Office of Munitions Control from October 1978

through February 1985. We also reviewed license applications and interviewed officials at the Departments of Defense and Commerce.

We were limited in our review by certain constraints. The Department of State said it could not locate 41 of the 300 applications we requested. Commerce, on the other hand, said it could not locate 15 of the 217 we requested. As discussed earlier, State's computer system does not identify intended destinations on multiple destination applications and some applications may have been lost during a computer switchover. Despite the incompleteness of our data, we are confident that our overall conclusions relating to sales activities are accurate, based on comparisons between State and Defense data and discussions with numerous State and Defense officials.

We conducted our review from April 1984 through June 1985 in accordance with generally accepted government auditing standards. We encountered substantial delays in obtaining information from the Department of State.

We are sending copies of this report to interested parties and we will make copies available to others upon request.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

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Abbreviations

COCOM	Coordinating Committee
FMS	foreign military sales
NATO	North Atlantic Treaty Organization
UN	United Nations

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Request Letter

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Congress of the United States
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House of Representatives
Washington, D.C. 20515

April 4, 1984

Mr. Charles Bowsher
Comptroller General of the United States
General Accounting Office
411 G Street, NW
Washington, D.C. 20548

Dear Mr. Bowsher:

On February 15, 1984, your staff briefed the Subcommittee on Western Hemisphere Affairs on military aid to Central America. During that briefing, preliminary evidence was presented of a continuing military supply relationship between Guatemala and the United States despite an arms sales embargo to that country. This relationship has been achieved almost entirely by commercial sales licensed by either the Department of State or the Department of Commerce. A small dollar volume of training and services have also been provided through the Foreign Military Sales program.

I am writing to request that the General Accounting Office conduct a review of this military supply relationship. Among the issues that should be addressed in this review are:

--the U.S. Government's policy with respect to the Guatemala arms sales embargo including its objectives, policy or implementation changes and their justification, any assessments of the embargo's effectiveness, and any loopholes in the embargo.

--a detailed analysis of Guatemala's use of the commercial sales system licensed by the Departments of State and Commerce, including a case by case identification and review of all approved, disapproved, returned without action, pending, under review, etc., export license requests for the period 1978 to date.

--an analysis of Guatemala's use of the security assistance program to obtain training and services.

--the legal appropriateness of Guatemala using any or all of the above supply channels to continue a military supply relationship with the United States in light of Section 502(b) of the Foreign Assistance Act of 1961, as amended.

Thank you in advance for your assistance. If you or your staff have any questions, please feel free to contact me.

Sincerely,

Mike Barnes

Michael D. Barnes, Chairman
Subcommittee on Western
Hemisphere Affairs

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Office of Munitions Control - Department of State License Applications Approved

	Based on action date Fiscal years					
	1979		1980		1981	
Description	**Quantity[a]**	**Value**	**Quantity[a]**	**Value**	**Quantity[a]**	**Value**
Pistols and revolvers	1,845	$277,294	434	$68,503	141	$27,189
Rifles & carbines	1,115	91,512	269	32,796	1	209
Shotguns	97	13,682	40	4,198		
Submachine guns	10	4,800				
Armored vests	40	12,760				
Cartridges through 20mm	2,395,116	141,971	1,028,000	32,205		
Ammunition, raw material		2,309				
Propellants		80,500		175		
Military vehicles- miscellaneous types				80,490		
Speech scrambler			4	767	2	403
Explosives				88,833		
Protective personnel equip.				584		
Miscellaneous technical data						
Communications equipment						
Pyrotechnics						
Spare parts						
Small arms		1,930		1,204		1,859
Military vehicles		36,053				
Tank		106,939				
Taser		1,019				
Auxilliary military equipment				600		3,600
Ship components						
Air traffic control system						
A-37						
Helicopter armor						
Communications equip.						
Riot control agent/ herbicide		85,500				
Taser, TF-76	22	3,750				
Encrypter and software banking equipment						
Finance communications controller banking						
Total		**$860,019**		**$310,355**		**$33,260**

Based on action date Fiscal years							
						(10/1/84-2/28/85)	
1982		1983		1984		1985	
Quantity[a]	Value	Quantity[a]	Value	Quantity[a]	Value	Quantity[a]	Value
	$6,576		$1,800	1	$329		
	8,000			2	1,162		
			100		60		
			44,830		35,000		
					19,000		
							$232,557
	11,368						
	5,863						1,650
			30,140				
			170,140				
				17	44,775		
				1	450	12	15,000
				1	16,000	5	125,000
	$31,807		**$247,010**		**$116,776**		**$374,207**

	1979	1980	1981	1982	1983	1984	1985
Licenses approved	86	23	10	5	9	8[b]	9
Applications received	96	97	37	19	21	15	15
Percent approved	89.6	23.7	27.0	26.3	42.9	53.3	60.0

[a]Quantities for spare parts and some other items were not available.

[b]The applications approved (app. II), disapproved (app. III), and returned without action (app. IV) do not total 15 because 1 was still pending at the end of the fiscal year.

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Office of Munitions Control-State Department License Applications Disapproved

	Based on action date Fiscal years					
	1979		1980		1981	
Description	**Quantity[a]**	**Value**	**Quantity[a]**	**Value**	**Quantity[a]**	**Value**
Pistols and revolvers			10,435	$ 790,672	1,525	$ 259,797
Laser aimed sight for M-16						
Rifles and carbines			353	23,876	190	45,746
M2HB						
Shotguns			4	1,080		
Machine guns, M-60			51	13,449		
Ammunition			7,275,500	398,001	5,271,190	865,903
Tear gas grenade launcher for shotguns			25	675		
Ammunition raw material						
Bombs, practice			3,000	49,250	1,000	38,150
Magazines			248	2,580	145	2,181
Firearm spare parts			1	253		
Grenade launchers					100	40,500
Grenades-tear gas	6,968	$119,153	6,968	119,153		
Gun powder						
Communication equipment					56	154,910
Oxygen masks						
Gas masks			500	31,250		
Technical data						
Aircraft spare parts						
Speech scramblers					11	2,967
Pistol and revolver spare parts						
Vehicle spare parts				286,560		173,087
Light combat helicopters						
Total		**$119,153**		**$1,716,799**		**$1,583,241**

Based on action date Fiscal years							
1982		1983		1984		(10/1/84-2/28/85) 1985	
Quantity[a]	Value	Quantity[a]	Value	Quantity[a]	Value	Quantity[a]	Value
3,625	$ 550,141	2,000	$280,000				
				3,350	$ 7,705,000		
320	58,848			10,000	5,750,000		
				200	1,620,000		
				500	1,100,000		
200,000	43,228	309,640	47,484				
				200,000	4,000		
200	3,400						
100	40,500						
					6,000		
10	329,885						
56	7,292						
18	0		575				
32	41,520			30	2,600,000		
		156	1,750				
				30	13,200,000		
$1,074,814			**$329,809**		**$31,985,000**	**0**	

	1979	1980	1981	1982	1983	1984	1985
Licenses disapproved	2	66	23	11	8	2	0
Applications received	96	97	37	19	21	15	15
Percent disapproved	2.1	68.0	62.2	57.9	38.1	13.3	

[a]Quantities for spare parts and some other items were not available.

Office of Munitions Control-State Department License Applications Returned Without Action

	Based on action date Fiscal years					
	1979		1980		1981	
Description	Quantity[a]	Value	Quantity[a]	Value	Quantity[a]	Value
Pistols and revolvers				$ 370.000		$20,615
Rifles and carbines, M-16	20	$ 1,024				
Ammunition		118,344		397,135		
Magazines		2,335				
A-37 spare parts						
M2HB						
Jet engines, T-53						
Technical data						
Training equipment-ceremonial swords						
Surveillance satellite						
Software for surveillance satellite						
Shotguns				7,914		
Tear gas launchers for shotguns & tear gas CS				65,675		
Motor vehicles with military functions				110,000		
Machine guns						
Laser aimed sights for M-16s						
Helicopters - 500 D/E Hughes light observation/combat						
Helicopter spares						
UH-1H engine overhaul						
Spare parts				77,003		
Total		**$121,703**		**$1,027,727**		**$20,615**

Based on action date Fiscal years							
1982		1983		1984		(10/1/84-2/28/85) 1985	
Quantity[a]	Value	Quantity[a]	Value	Quantity[a]	Value	Quantity[a]	Value
		2	$359	15	$2,205		
						10,000	$ 6,000,000
	$981						
40	30,140						
						200	1,000,000
		1	475,000				
1	-0-						
		250	33,000				
				1	40,000,000		
					1,280,000		
				40	9,510	30	8,100
						500	1,500,000
						3,350	7,750,000
						30	15,000,000
				322	2,000,000	30	3,000,000
						2	146,413
	$31,121		**$508,359**		**$43,291,715**		**$34,404,513**

	1979	1980	1981	1982	1983	1984	1985
Licenses returned without action	8	8	4	3	4	4	5
Applications received	96	97	37	19	21	15	15
Percent returned without action	8.3	8.2	10.8	15.8	19.0	26.7	33.3

[a]Quantities for spare parts and some other items were not available.

Commerce Department Licenses Approved for Dual-Use Equipment for Guatemalan Government—Military

ECCN no.	Description of category	Number of licenses	Number of items	Value
Approvals				
1460	Aircraft, helicopters, engines, nonmilitary	2	10	$40,281,000
1501	Equipment: navigation, direction finding radar, airborne communications	5	104	122,618
1564	Electronic assemblies and integrated circuits	1	1	2,185
1565	Computing equipment, electronic	1	1	114,000
2406	Vehicles designed for military use	15	531[a]	14,368,409
4460	Aircraft, helicopters, engines, equipment, nonmilitary	1	1	94,000
5597	Crime detection, analysis equipment	2	52	81,677
5680	Protective, restraint equipment, nonmilitary	1	200	4,400
5998	Guns, devices for crowd control	5	117	13,254
5999	Protection, restraint equipment for personnel	1	200	126,020
Total		**34**		**$55,207,563**

Licenses approved by calendar year									
1978	1979	1980	1981	1982	1983	1984	1985	Total number
7	6	7	5	2	2	4	1	**34**

[a]518 trucks and 13 lots of spare parts.

Commerce Department Licenses Approved for Dual-Use Equipment For Guatemalan Government Agencies—Other-Than-Military

ECCN no.	Description of category	Number of licenses	Number of items	Value
Approvals				
1460	Aircraft, helicopters, engines, nonmilitary	4	9	$32,689,266
1501	Equipment: navigation, direction finding, radar, airborne communications	3	13	237,849
1520	Radio-relay equipment	3	3	24,450,849
1529	Measuring, calibrating testing equipment	3	4	30,235
1531	Frequency synthesizers and equipment	2	3	26,585
1564	Electronic assemblies and integrated circuits	2	•	339,921
1565	Computing equipment, electronic	11	1,348	900,887
1572	Recording, reproducing equipment	1	20,050	85,300
1584	Oscilloscopes and components	2	2	9,320
1585	Photographic equipment	2	•	7,564
2406	Vehicles designed for military use	1	100	1,550,000
4529	Equipment, test, computerized, electric, electronic	2	2	645,412
4783	Natural gas liquids	1	33,806[a]	33,806
Total		**37**		**$61,006,994**

Licenses approved by calendar year								
1978	1979	1980	1981	1982	1983	1984	1985	Total number
1	5	8	6	2	6	7	2	**37**

[a]Barrels

Department of Commerce License Applications Received for Dual Use Equipment for Lethal or Potentially Lethal Equipment

		For Guatemalan military			
		Dates	No. of lic.	No. of items	Value
Approvals					
1460	Aircraft, helicopters, Engines, nonmilitary	1/80-1/83	2[b]	10	$40,281,000
2406	Vehicles designed for military use	1978-3	•	•	•
		1979-3	•	•	•
		1980-3	•	•	•
		1981-4	•	•	•
		1982-1	•	•	•
		1984-1	15	531[c]	14,368,409
4460	Aircraft/helicopters and engines/equipment, nonmilitary	3/84	1	1[d]	94,000
5597	Crime detection/ analysis equipment	12/78 & 2/79	2	95	81,871
5680	Protective/restraint equipment, nonmilitary, handcuffs	4/78	1	200	4,400
5998	Guns/devices for crowd control - shotguns	1978-2	•	•	•
		1979-2	•	•	•
		1980-1	5	117	13,254
5999	Protection/restraint equipment for personnel	3/83	1	200	126,020
Denials					
5597	Crime detection/ analysis equipment	8/84	1	101	5,550
5680	Protective/restraint handcuffs		•	•	•
5998	Guns/devices for crowd control - shotguns	1980	6	505	77,734
RWA					
5998	Guns/devices for crowd control - shotguns		•	•	•
5999	Protection/restraint equipment for personnel		•	•	•
Pending					
2406	Vehicles designed for military use-trucks	3/82	1	50	2,270,500
5680	Protective restraint equipment, nonmilitary, handcuffs		•	•	•
5998	Guns/devices for crowd control-shotgun shells		•	•	•

Appendix VII
Department of Commerce License Applications Received for Dual Use Equipment for Lethal or Potentially Lethal Equipment

	For GOG, nonmilitary			Total[a]		
Dates	No. of lic.	No. of items	Value	No. of lic.	No. of items	Value
1/79,11/79, 9/80 & 4/83	4	9	$32,689,266	8	21	$74,645,266
	•	•	•	•	•	•
	•	•	•	•	•	•
	•	•	•	•	•	•
	•	•	•	•	•	•
	•	•	•	•	•	•
1/81	1	100	1,550,000	16	631	15,918,409
	•	•	•	3	3[d]	624,000
	•	•	•	5	199	156,756
	•	•	•	2	202	4,442
	•	•	•	•	•	•
	•	•	•	•	•	•
	•	•	•	17	476	41,056
	•	•	•	9	282	129,873
	•	•	•	2	174	8,035
	•	•	•	2	200	2 580
	•	•	•	9	571	85,708
	•	•	•	2	212	26,492
	•	•	•	1	4	24,820
	•	•	•	1	50	2,270,500
	•	•	•	1	20	310
	•	•	•	1	30,000	12,078

[a]"For Guatemalan military" and "For GOG, nonmilitary" columns don't necessarily add up. Difference is those licensed for the private sector, which was not listed separately. This equipment could be resold to the military, or military or police personnel.

[b]Although four licenses were issued, three were for extensions. It was apparently the intent of the licensee to export only two planes, not eight.

[c]518 trucks and 13 lots of spare parts

[d]Lots of spare parts

Recap of U.S. Military Assistance to Guatemala

Dollars in thousands

Fiscal year	FMS financing	MAP				IMET
		Operating	Investment	Supply operations	Undelivered[a]	
Actual						
1976	$1,500[b]	•	$177	$13	$373	$415
197T	•	•	•	16	•	97
1977	•	•	•	9	207	500
1978	•	•	•	4	162	•
1979	•	•	•	6	111	•
1980	•	•	•	[c]	4	•
1981	•	•	•	[c]	12	•
1982	•	•	•	•	9	•
1983	•	•	•	•	3	•
1984	•	•	•	•	•	•
Estimated						
1985	•	•	•	•	•	300
1986	10,000	•	•	•	•	300

[a]As of September 30

[b]Guaranteed loans

[c]Less than $500

Note: While some residual funds were spent, no military assistance was approved from 1978 thru 1984.

Recap of U.S. Economic Assistance to Guatemala

Dollars in thousands

Fiscal year	Economic Support Fund	Economic Assistance Program Data		
		AID	Peace Corps	P.L. 480
Actual				
1976	$ •	$22,890	$1,411	$12,833[a]
197T	•	328	406	•
1977	•	•	1,492	•
1978	•	4,215	1,525	3,600
1979	•	16,500	1,972	5,415
1980	•	7,764	1,851	3,676
1981	•	9,135	2,046	7,554
1982	•	7,918	1,653	5,617
1983	10,000[b]	12,216	1,949	5,349
1984	•	4,375	2,605	13,420
Estimated				
1985	12,500	40,000	3,525	25,400
1986	25,000	33,000	3,854	19,180

[a]Includes transition quarter 197T

[b]Provided as part of the Carribbean Basin Initiative; administered by the Agency for International Development.

BLANK PAGE

Defense Security Assistance Agency Foreign Military Sales Agreements

	1977	1978	1979
Aircraft, engines, components, repairs, technical assistance and other goods and services	$1,214,861	$ 794,993	$1,388,339
Trucks	2,705,928		
Truck spare parts and support equipment	316,510		
Ammunition	435,663	526,639	70,358
Fuzes, explosives and other items	50,615	61,735	38,826
Ship components and parts		51,026	71,310
Other support equipment	600,231	611,339	
Training	2,340	141,834	
Books, maps, and publications	2,722	3,096	468
Clothing, textiles, and individual equipment	12,550	17,115	61,416
Special activities	27,581	419	40,514
Repair and rehabilitation - other material	112,459	32,590	34,424
Calibration and testing	3,112	3,241	14,500
Metal working machinery		73,334	
Military brigade components			110,120
FMSO 1 agreement		750,285	
Other	14,170	6,627	4,121
Supply operations	119,138	83,313	62,661
Logistics management expense	123,582	83,650	55,055
Total	**$5,741,462**	**$3,241,236**	**$1,952,112**

Summary purchased value						
1980	1981	1982	1983	1984	1985	Totals
				$2,064,114		$ 5,462,307
						2,705,928
				232,124	$232,557	781,191
						1,032,660
				331,118		482,294
					237,023	359,359
						1,211,570
$9,360	$3,800		$68,313	43,754		269,401
				30,000		36,286
				28,002	31,350	150,433
						68,514
				442,576		622,049
				14,877	35,730	35,730
						73,334
						110,120
						750,285
			4,050	1,629		30,597
				128,076	17,744	410,932
281	114		2,172	95,191	15,029	375,074
$9,641	**$3,914**	**$0**	**$74,535**	**$3,411,461**	**$533,703**	**$14,968,064**

Advance Comments From the Department of State

United States Department of State

Comptroller

Washington, D.C. 20520

October 24, 1985

Dear Frank:

I am replying to your letter of October 1, 1985 to the Secretary which forwarded copies of the draft report: "The United States' Continuing Military Supply Relationships with Guatemala."

The enclosed comments on this report were prepared in the Bureau of Inter-American Affairs.

We appreciate having had the opportunity to review and comment on the draft report. If I may be of further assistance, I trust you will let me know.

Sincerely,

Roger

Roger B. Feldman

Enclosure:
As stated.

Mr. Frank C. Conahan,
Director,
National Security and
International Affairs Division,
U.S. General Accounting Office,
Washington, D.C. 20548

GAO DRAFT REPORT: THE UNITED STATES' CONTINUING MILITARY SUPPLY RELATIONSHIP WITH GUATEMALA

The State Department was pleased to have had the opportunity to work with the General Accounting Office in its preparation of a study of State Department licensing decisions and practices regarding military exports to Guatemala since 1978, a study requested by Chairman Barnes.

We believe the study provides an accurate, full account of State, Commerce and Defense Department treatment of requests received from exporters seeking to sell equipment to Guatemala since 1978. The few differences we have with the report are listed in the appendix to this letter. In general they have to do more with interpretation and small factual errors than with any fundamental disagreement with the report's conclusions.

This Administration has responsibly conducted itself in the field of military exports to Guatemala. The study clearly reveals our consistent practice of linking improvements in human rights in Guatemala to favorable actions on requests for licenses of lethal or potentially lethal equipment. In view of serious human rights concerns in Guatemala we have heretofore limited approvals of licenses and FMS cash sales to non-lethal items. Since 1981 we have only approved $38,000 in lethal equipment, most of which went to private security guards and only after careful investigation of the end user by our Embassy using all available resources. Our record on the licensing of lethal equipment to Guatemala compares very favorably with that of previous administrations.

It is our strong belief that return of Guatemala to democratic practices through free and fair elections will result in a significant reduction in human rights violations. Therefore one of the principal goals in our relations with Guatemala has been to support and encourage a return to civilian rule. Congress has also been supportive of this goal. We have considered requests for approval of licenses for military equipment to Guatemala with these twin objectives in mind. We have seen clear evidence that the level of abuses in Guatemala is decreasing significantly. Civilian non-combatant deaths so far in 1985 are, by our calculations, 8% of the 1981 peak rates. While we do not condone any human rights abuses, this marked improvement is encouraging and underscores the thrust of our policy of seeking human rights improvements through support for a return to democratically-elected civilian rule.

We agree with your conclusion that the United States has acted in full accord with applicable statutory requirements in its processing of license applications for Guatemala. In accordance with the policies of this Administration and the provisions of section 502B, we have used the licensing process to promote the increased observance of human rights in Guatemala and to avoid identifying the United States with human rights abuses. We would note, however, that as now drafted the report may be read to give the misleading impression that section 502B applies only in cases where a formal determination has been made that a country is engaged in a "consistent pattern of gross violations of internationally recognized human rights".

We will continue to work closely with Congress to ensure that the equipment we license in the future contributes to the goals we have been pursuing in Guatemala. In addition, we will continue to consult with the Senate Foreign Relations Committee under the terms of the Percy-Zorinski agreement of December 1981. Once a democratically-elected government is in office in Guatemala, we also will consult closely with it in assessing the need for military equipment to enable it to resist efforts by insurgent groups to impose a Marxist dictatorship on the country by force of arms.

We did our best to provide the information required for this study in a timely manner, and we made available several hundred relevant documents. We also retrieved about 100 cases of documents from retired State Department files so that we could provide copies of several hundred munitions control list license applications for Guatemala. We only withheld information from a small number of documents in order to protect the deliberative process. These were generally draft human rights reports and other internal memoranda whose disclosure would inhibit the free and candid exchange of views within this Department and with our Embassy in Guatemala. In our view, none of the material withheld would have altered the conclusions reached by your office regarding Administration policy and practice in the export licensing field.

We have conducted a classification review of the report and we have no objection to its declassification except for the quote from a Defense Intelligence Agency report on page ten. This information would have to be reviewed by the Department of Defense. If DOD is unable to declassify this information, we would recommend that the classified information be deleted so that the report can be issued in a declassified form.

In conclusion, we would like to suggest that this study be distributed widely to Congress in view of the contribution that it makes to an understanding of United States practice and policy in our relations with the Guatemalan government.

Elliott Abrams
Assistant Secretary
Bureau of Inter-American Affairs

Response to Specific GAO Recommendations and Errata

Departmental Recordkeeping:

With respect to the Department's computer information system on Munitions Control licensing, the draft report recommends that its retrieval capabilities be improved to list all intended destinations. In response, we would emphasize that multiple destinations (displayed on the system as "various destinations") are only permitted, within the same geographical area, for technical data or temporary export licenses. Separate licenses for each country are required for the permanent export of defense articles (equipment) to ensure control. Budgetary constraints have been the only reason why the computer in question has not been programmed to list separate destinations for temporary and technical data licenses; the GAO recommendation will certainly be taken into account in alloting funds for the future. Further, we regret that we were unable to locate a small number of older license applications from retired files. The computer retrieval system, which has been operational since 1981, should facilitate any future requests for the compilation of information on licenses and avoid the problem of "lost" data.

Belgium Tank Diversion

Regarding the M-41 incident, our files indicate that 22 US-built M-41 tanks, which were provided by the U.S. to Belgium in the 1950s, were supposedly exported to the Dominican Republic in early 1981. However, it appears that about half of them, without the knowledge of the Belgian government, may instead have been diverted to Guatemala.

The files indicate that we launched an inquiry into the matter in 1982, when reports of the tank diversion reached us, and we made demarches to the Belgian government. High level Belgian officials took note of the incident, and they assured us that all appropriate measures would be taken to avoid a repetition. It also appears that inquiries were made in the Dominican Republic and Guatemala, but there is no indication that any useful information resulted.

We regret that a report under section 3(e) of the Arms Export Control Act was not filed at the time. Even though three years have passed, we will be filing the appropriate report with Congress. As no further reports have been received since 1982 of improper transfer of tanks from Belgium, it appears that the Belgian authorities have taken effective measures to prevent the recurrence of such incidents.

Advance Comments From the Department of Commerce

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Administration
Washington, D.C. 20230

NOV 15 1985

Mr. J. Dexter Peach
Director, Resources, Community, and
Economic Development Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

This is in reply to GAO's letter of October 1, 1985, requesting comments on the draft report entitled "The United States Continuing Military Supply Relationship With Guatemala."

We have reviewed the enclosed comments of the Under Secretary for International Trade and believe they are responsive to the matters discussed in the report.

Sincerely,

Kay Bulow

Kay Bulow
Assistant Secretary
for Administration

Enclosure

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D C 20230

NOV 4 1985

Dear Mr. Peach:

Thank you for the opportunity to review the GAO report on the military supply relationship with Guatemala.

Now on p. 6, para. 1

There are several items in the section on the Department of Commerce licenses that need to be clarified. First, on page 8 of the draft, beginning with the second sentence, the first paragraph should be changed to read:

"Export controls administered by Commerce are used to protect the national security of the United States, to further the foreign policy, and to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of foreign demand. These programs are commonly referred to as national security, foreign policy and short supply controls."

Now on p. 6, para. 2

Second, it should be clarified on page 8 that the Commodity Control List is prepared by Commerce in consultation with the Departments of Defense and State and other departments and agencies as appropriate. The report suggests that Commerce develops such a list unilaterally.

Now on p. 6, para. 2

Third, the third sentence in the last paragraph on page 8 should read:

"COCOM is an informal organization consisting of the NATO countries (excluding Iceland and Spain) plus Japan."

In addition, several points involving the referral of export licenses to the Department of State need to be clarified. Two foreign policy controls directly affect exports to Guatemala: controls on crime control and detection equipment (human rights controls) and regional stability controls. The latter are controls designed to limit exports that would contribute significantly to the destabilization of the region to which equipment is destined. Regional stability controls apply to all countries except NATO members, Spain, Japan, Australia and New Zealand. Cases involving exports of items subject to these controls are referred to State, and are reviewed on a case-by-case basis. I refer you to the Department of State for a definitive statement on what criteria it uses for its licensing recommendations on cases for Guatemala.

Should you have any questions or wish us to elaborate on the items mentioned above, please contact David L. Schlechty, Director of the Office of Export Administration's Policy Planning Division at 377-4252.

Sincerely,

Bruce Smart

Bruce Smart

Mr. J. Dexter Peach
Director
General Accounting Office
Washington, DC 20548

Advance Comments From the Department of Defense

DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D.C. 20301

30 OCT 1985

In reply refer to:
I-016715/85

Mr. Frank C. Conahan
Director, National Security and
International Affairs Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Conahan:

This is The Department of Defense (DoD) response to the General Accounting Office (GAO) draft report entitled "The United States' Continuing Military Supply Relationship with Guatemala," dated October 1, 1985 (GAO Code 463722, OSD Case 6854).

The DoD generally concurs with the report's findings and recommendations. The report is largely informational as it relates to the DoD, and the data on security assistance and FMS cash sales agreements were determined to be reasonably accurate. It should be noted that the DoD does not maintain records on commercial sales of military equipment and supplies licensed by the Departments of State and Commerce.

The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

GLENN A. RUDD
DEPUTY DIRECTOR

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